



May 10, 2005

Mr. Robert E. Feldman
Executive Secretary Attention: Comments
Federal Deposit Insurance Corporation
550 17th St. NW 20429
Washington, DC 20551

RE: RIN 3064-AC89

Dear Mr. Feldman:

The Illinois Facilities Fund (IFF) urges you to support the current structure of the Community Reinvestment Act (CRA) by withdrawing your proposal to create a new category of intermediate small banks that would be subject to a new two-part CRA examination. While this proposal is an improvement from the past proposal, it still contains serious flaws that will reduce community development investments in low-income and underserved areas. These investments are essential to providing communities and individuals with access to capital.

Importance of CRA to the IFF and CDFIs

CRA has promoted investments by financial institutions in the IFF and served as an essential solution to the problem of the denial of access to capital in minority and low-income communities. As a federally certified community development financial institution (CDFI), the IFF offers lending, facilities planning and development and research to Illinois nonprofits serving low-income and special needs populations. Since the inception of the IFF, 14 Illinois banks have provided the IFF with over \$60 million at below market rates. This financing is essential to the IFF's track record of providing more than \$100 million in real estate financing to over 250 Illinois nonprofits, resulting in the creation and support of over 7,500 jobs and development of 4.9 million square footage of new real estate in traditionally financially underserved markets. IFF clients include child care centers, food pantries, supportive housing for families and individuals with developmental disabilities, health clinics in rural areas and faith-based organizations in high-need and low-income communities.

In addition to the IFF, CDFIs in communities throughout the country, such as community development credit unions, revolving loan funds, and venture capital funds, have benefited from similar bank investments. And because of CRA have the resources to specialize in providing financial services and access to capital to individuals, small businesses, faith-based or nonprofit community-based organizations in low-income or economically under-invested markets. In 2003 alone, a sample of 477 CDFIs from across the country provided over \$8.3 billion in financing, developed 44,689 units of affordable housing, closed 4,100 mortgages and created or maintained almost 34,000 jobs.

Impact on Illinois

The creation of a new category of intermediate small banks will effect Illinois more than any other state since Illinois is home to the greatest number of banks with assets between \$250 million and \$1 billion. The loss of a stand alone investment and services test for these banks would eliminate the most important incentive for financial institutions to invest in CDFIs and others in Illinois engaged in community development. Without this incentive, it will be increasingly difficult for community development finance organizations to obtain the resources and investments to fund essential development projects. For instance, IFF's strategic plans, based on a careful market demand analysis showed that there were nonprofits throughout Illinois in need of access to capital, call for significant growth statewide, aiming for \$100 million in capital to invest in the next five years. A change to the CRA regulations would pose serious hurdles to attaining that growth.

Maintain Data Reporting Requirements

It is also important that small intermediate banks should still be required to report on community development loans and small business lending. Community development and small business lending data collection and reporting support the continued growth and expansion of the community development field. This data is critical to determining best practices of community development and small business activities in financial institutions' service areas.

Suggested Changes to Proposed Community Development Test

In the event that the newly proposed intermediate small bank category and exam structure is adopted, the community development test should be more defined in a number of key areas. It is critical that this new test is designed to ensure that lending, services and investment are continued. Listed below are suggested improvements to the community development test:

- In order to receive a satisfactory score on the community development test, an intermediate small bank should be required to engage in all three components of the community development test. A passing score should not be received if one or more of the activities of the community development test are not undertaken.
- The compliance of intermediate small banks with the community development test should be evaluated based on a combination of measuring need and a baseline comparison to prior levels of a financial institution's activity for each of the three areas in the community development test. Increases in each of the three activity areas are to be expected according to a financial institution's growth in asset size from the previous examination period to the current examination period unless a demonstrated decline in need in a financial institution's service area can be demonstrated.

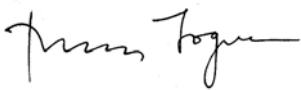
Impact on Rural Communities

IFF values the interest of FDIC, the Federal Reserve Bank and OCC in determining an appropriate definition for "underserved" rural areas. Through IFF lending and investment in many rural areas and small communities throughout Illinois, the IFF knows first hand that the current definition of rural in which LMI is used does not represent the reality in defining whether or not a rural area is underserved. The IFF appreciates the Federal Reserve Bank data related to the various definitions being proposed. Based on IFF experience in Illinois, it is recommended that 90 percent of non-metropolitan median family income should be used to define a rural area as "underserved." This provides a simpler standard and ensures that there are LMI census tracts in regions throughout the country.

Conclusion

CRA has not only been vital to the IFF, but to the growth and sustainability of the Community Development Finance Industry and its ability to provide financial services and products to traditionally underserved communities throughout the country. The IFF hopes careful consideration will be given to the proposed regulations to ensure the future effectiveness of the Community Reinvestment Act. Thank you for the opportunity to comment.

Sincerely,



Trinita Logue
President and CEO